

Syddansk Universitet

Rethinking Performance Measurement in Health Care

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Publication date:
2009

Document version
Submitted manuscript

Citation for pulished version (APA):

Traberg, A., Duthiers, N. M., & Juhl, D. (2009). Rethinking Performance Measurement in Health Care: A New Approach for Translating Strategic Healthcare Objectives into Operational Indicators. Poster session presented at VIS, København, Denmark.

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A new approach for translating strategic healthcare objectives into operational indicators

Abstract

The purpose of this paper is to propose a new performance measurement approach which enables healthcare managers to design a performance management system tailored for their individual settings. The model is based on the strategic goal of the individual health care facility. It has been developed over the last two years in cooperation with the radiology department at the Danish Hospital of Southern Jutland. The approach is aiming at compensating for some of the encountered shortcomings in the current strategic development process. By incorporating indicators at both tactical and operational level, a detailed and well-defined performance measurement structure is connected to the overall strategic plan

The increasing complexity in modern healthcare requires new improved performance management systems for healthcare institutions (Landrum & Baker 2004). The process of translating strategic objectives into a useful set of operational indicators is a difficult and hard task. In the healthcare area this is further complicated by the diverse interest of the three main stakeholders, i.e. the grant giving authorities, the patient and finally the employee (Berler, Pavlopoulos, & Koutsouris 2005). To be able to coordinate and manage these different requirements, a performance management system, encompassing performance indicators from all the three stakeholder groups is needed. Our approach was derived using the action research methodology (Coughlan & Coughlan 2002). The work is based on a two year study, where information are collected from various data sources, including literary material, interviews, workshops and informal conversations with hospital staff.

The indicator has to be described by following template. The template consists of Indicator name, Purpose, Responsible, Field of application, Indicator description, Displaying guidance, Data foundation, Indicator goal, Timeframe, Guiding documents, Benchmark and References. This structure is compatible with the reporting structure to the National Indicator Project (NIP) which is a mandatory for Danish hospitals. The indicator development approach is based on a hieratical step-by-step approach obeying the following two rules.

1. Indicators should not be assigned to individuals, which does not have organizational power to enforce, or full impact on the outcome
2. Indicators should not be assigned to individuals, where the employee does not have the professional competencies to influence the outcome.

The indicators would be developed through the organization, until one of the rules is violated. This means that it is an iterative process, where next indicator is confirmed by the two rules. If one of the rules are violated, the indicator line, are either stopped, or transformed into proxy indicators. This process of continuously repeating the rules, secures that indicators aren't forced to deep in the organization.

This approach was tested at the radiology department, and a detailed and refined 3-dimensional indicator landscape was constructed. The first axis indicates the four Balanced Scorecard areas (Kaplan 1992), the second indicates the twelve strategic goals developed by hospital management,

and third axis representing the planning levels. By using the proposed approach in the construction of performance indicators landscape, about 40 – 50 % of the indicators never reach the operational level. Meaning that there were seen a significantly decrease in indicators for local managers, which will lead to a more focussed management. The model also gives a more transparent and organization specific structure. Besides the models also provides each organizational level with the possibility to evaluate its own impact on overall strategic objectives.

Key words: Performance Management, Healthcare organizations, Strategic development.

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